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HOUSE BILL 2134 By
Cross

SENATE BILL 2181
By McNally

AN ACT to amend Tennessee Code Annotated, Section 7-82-501,
relative to certain short-term borrowings by natural gas
utility districts.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 7-82-501, is amended by inserting
the following language as a new, appropriately designated subsection immediately following
subsection (a) and by redesignating subsequent subsections accordingly:

() Any utility district which has the power and authority to operate a gas
distribution system may borrow money in anticipation of the collection of revenues from
such system and issue negotiable notes to evidence such borrowing for the purpose of
financing gas purchases, including storage costs and pipeline capacity costs. Any such
notes shall be secured solely by a pledge of and lien on the revenues of such system.
The principal amount of notes which may be issued during any twelve (12) month period
shall not exceed sixty percent (60%) of total gas purchases for the same period, and all
notes issued during such period shall be retired and paid in full on or before the end of
such period. The notes shall be sold in such manner, at such price and upon such terms
and conditions as may be determined by the board of commissioners of the district
issuing such notes. No notes shall be issued under this subsection unless the gas
system for which the notes are to be issued has positive retained earnings as shown in
the most recent audited financial statements of the system and the system has produced

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positive net income in at least one (1) fiscal year out of the three (3) fiscal years next preceding the issuance of the notes as shown on the audited financial statements of the system. No notes shall be issued without first being approved by the state director of local finance. Notes issued pursuant to this section and the income therefrom, shall be exempt from all state, county and municipal taxation, except inheritance, transfer and estate taxes. If revenues of such system are insufficient to pay all such notes at maturity, any unpaid notes may be renewed one (1) time for a period not to exceed one (1) year, or may be otherwise liquidated as approved by the comptroller of the treasury or the director of the division of local finance.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.